

1 **BEFORE THE ARIZONA CORPORATION COMMISSION**

2 WILLIAM A. MUNDELL

3 Chairman

4 JIM IRVIN

5 Commissioner

MARC SPITZER

Commissioner

6 In the matter of:

7 CHARLES E. CONATSER

8 (CRD # 1346076)

9 14076 N. Willow Bend Drive

Tucson, AZ 85737

10 ESTATE CONSERVATION STRATEGIES, )  
11 INC. )

12 2120 West Ina Road, Suite 102 )

Tucson, AZ 85741, )

13 Respondents. )

DOCKET NO. S-03473A-02-0000

**NOTICE OF OPPORTUNITY FOR HEARING  
REGARDING PROPOSED ORDER TO  
CEASE AND DESIST, FOR RESTITUTION,  
FOR ADMINISTRATIVE PENALTIES,  
OF REVOCATION AND FOR  
OTHER AFFIRMATIVE ACTION**

14 **NOTICE: RESPONDENTS HAVE 10 DAYS TO REQUEST A HEARING**

15 The Securities Division ("Division") of the Arizona Corporation Commission ("Commission")  
16 alleges that respondents have engaged in acts, practices and transactions that constitute violations of  
17 the Securities Act of Arizona, A.R.S. § 44-1801 *et seq.* ("Securities Act").

18 **I.**

19 **JURISDICTION**

20 1. The Commission has jurisdiction over this matter pursuant to Article XV of the Arizona  
21 Constitution and the Securities Act.

22 **II.**

23 **RESPONDENT**

24 2. CHARLES E. CONATSER ("CONATSER") is an individual, whose last known  
25 address is 14076 N. Willow Bend Drive, Tucson, Arizona 85737.  
26

3. ESTATE CONSERVATION STRATEGIES, INC. (“ESTATE”) is an Arizona corporation, whose last known address is 2120 West Ina Road, Suite 102, Tucson, Arizona, 85741.

4. CONATSER and ESTATE may be referred to collectively as “RESPONDENTS.”

5. CONATSER became a registered securities salesman in Arizona in April 1987. He was registered in association with: Caprock Securities, Inc. (September 22, 1987 to November 19, 1991), H.D. Vest Investment Securities, Inc. (H.D. Vest”) (November 25, 1991 to June 13, 1996), SunAmerica Securities, Inc. (“SunAmerica”) (June 13, 1996 to October 6, 1998). CONATSER is currently associated with Legacy Financial Services, Inc. (“Legacy”), from on or about December 17, 1998 to the present.

6. On November 17, 1994, while CONATSER was associated with H.D. Vest, doing business as Capital Financial Consultants, Ltd., he filed an application with the Arizona Corporation Commission under the Investment Management Act, A.R.S. §§ 44-3101 et seq., for licensure as an investment advisor. The Commission issued a final Order on May 3, 1995, Decision No. 59073, denying the applications of Capital Financial Consultants, Ltd. and CONATSER for licensure as an Investment Adviser and Investment Adviser Representative, respectively, based upon findings that they filed applications that were incomplete, inaccurate or misleading pursuant to A.R.S. § 44-3201(A)(1).

### III.

## FACTS

7. In or around 1996, while CONATSER was associated with H.D. Vest or SunAmerica, he borrowed money from Mrs. D, an elderly widow who was his customer.

8. In or around September 1996, CONATSER paid Mrs. D \$2,040, which was recorded in Mrs. D's records as a "repayment in full of a loan."

1           9. At the time of Mrs. D's death on June 27, 1997, CONATSER owed Mrs. D \$3,000, plus  
2 interest, all of which was then past due. CONATSER paid the obligation only after a demand was  
3 made by Mrs. D's relatives.

4           10. In or before 1997, while CONATSER was associated with H.D. Vest or SunAmerica,  
5 he borrowed money from Ms. F, an elderly single woman who was his customer.

6           11. Ms. F gave CONATSER a personal check for \$20,000, for the purpose of earning a  
7 profit.

8           12. RESPONDENTS issued Ms. F a promissory note dated July 30, 1997, reflecting their  
9 obligation to pay her \$20,000, plus interest.

10           13. At the time of Ms. F's death on June 25, 1999, RESPONDENTS had not repaid this  
11 obligation, which was then past due. RESPONDENTS repaid the \$20,000 owed to Ms. F only  
12 after a law suit was filed by Ms. F's Estate.

13           14. Neither Mrs. D nor Ms. F was a relative of CONATSER.

14           15. Neither Mrs. D nor Ms. F was a person in the business of lending funds.

15           16. Both Mrs. D and Ms. F were customers of CONATSER and his dealers at the time that  
16 CONATSER borrowed money from them.

17           17. The note CONATSER drafted and issued to Ms. F stated that it was "secured by a right  
18 to all office furniture and equipment at the offices of Estate Conservation Strategies" The Note  
19 further states that "the Promisor shall be in default if there is a sale, transfer, assignment, or any  
20 other disposition of any assets pledged as security for the payment of this Note, or if there is a  
21 default in any security agreement which secures this Note." Notwithstanding these written  
22 statements, RESPONDENTS did not perfect any security interest in property to secure this Note  
23 for the benefit of Ms. F.

24           18. The Division is informed and believes that the issue of final payment of the outstanding  
25 balance owed by CONATSER to Mrs. D was settled between CONATSER and Mrs. D's daughter  
26 as part of an out-of-court settlement on or about September 20, 1998.

1 19. The Division is informed and believes that the issue of final payment of the outstanding  
2 balance of the loan from Ms. F was settled between CONATSER and Ms. F's Estate, as part of  
3 settlement of a civil action filed in Pima County Superior Court. Ms. F's Estate commenced that  
4 action against CONATSER on or about November 30, 1999.

5 **IV.**

6 **VIOLATION OF A.R.S. § 44-1841**

7 **(Offer or Sale of Unregistered Securities)**

8 20. In or around 1997, RESPONDENTS offered or sold a security in the form of a note,  
9 within or from Arizona.

10 21. The security referred to above was not registered pursuant to Articles 6 or 7 of the  
11 Securities Act.

12 22. This conduct violates A.R.S. § 44-1841.

13 **V.**

14 **VIOLATION OF A.R.S. § 44-1842**

15 **(Sales by Unregistered Dealers or Salesmen)**

16 23. ESTATE offered or sold securities within or from Arizona, while not registered as a  
17 dealer or salesman pursuant to the provisions of Article 9 of the Securities Act.

18 24. This conduct violates A.R.S. § 44-1842.

19 **VI.**

20 **VIOLATION OF A.R.S. § 44-1991**

21 **(Fraud in Connection with the Offer or Sale of Securities)**

22 25. In connection with the offer or sale of securities within or from Arizona,  
23 RESPONDENTS directly or indirectly: (i) employed a device, scheme or artifice to defraud; (ii)  
24 made untrue statements of material fact or omitted to state material facts which were necessary in  
25 order to make the statements made not misleading in light of the circumstances under which they  
26 were made; and/or (iii) engaged in transactions, practices or courses of business which operated or

1 would operate as a fraud or deceit upon offerees and investors. RESPONDENTS' conduct includes,  
2 but is not limited to, the following:

3 a) Misrepresenting that the note was secured by a right to all office furniture and  
4 equipment at the offices of Estate Conservation Strategies, when in fact RESPONDENTS did  
5 not perfect any security interest in any property for Ms. F;

6 b) Failing to disclose to Ms. F that CONATSER was prohibited from borrowing  
7 money from a client pursuant to the rules of his dealer.

8 26. This conduct violates A.R.S. § 44-1991.

## 9 **VII.**

### 10 **REVOCATION PURSUANT TO A.R.S. § 44-1962**

#### 11 **(Denial, Revocation or Suspension of Registration of Salesman)**

12 27. CONATSER's conduct is grounds to revoke CONATSER's registration as a  
13 securities salesman with the Commission pursuant to A.R.S. § 44-1962. Specifically:

14 a) CONATSER violated §§ 44-1841 and 44-1991 of the Securities Act within  
15 the meaning of A.R.S. § 44-1962(A)(2).

16 b) CONATSER engaged in dishonest or unethical practices within the meaning  
17 of A.R.S. § 44-1962(A)(10) as defined by A.A.C. R14-4-130(A)(17).  
18 Specifically, CONATSER's sale of the described security was not recorded  
19 on the records of the dealer with whom he was registered at the time of the  
20 transaction.

21 c) CONATSER engaged in dishonest or unethical practices in the securities  
22 industry, as specified in A.R.S. § 44-1962(A)(10) and A.A.C. R14-4-  
23 130(15), by borrowing money from a customer, who was neither a relative  
24 of CONATSER nor a person in the business of lending funds at the time of  
25 the loans;  
26

d) CONATSER is lacking in integrity, as specified in A.R.S. § 44-1962(A)(4),  
in that:

(1) CONATSER failed to disclose to his dealer, and/or pursued a course  
of concealing from his dealer, the above-described loan transactions  
with his dealer's elderly customers; and/or

(2) CONATSER offered a promissory note to a client without having  
first obtained approval of his dealer to do so, and issued a promissory  
note that was not reflected on his dealer's books and records.

#### **VIII.**

#### **REQUESTED RELIEF**

The Division requests that the Commission grant the following relief against  
RESPONDENTS:

1. Order RESPONDENTS to permanently cease and desist from violating the  
Securities Act, pursuant to A.R.S. § 44-2032;

2. Order RESPONDENTS to take affirmative action to correct the conditions resulting  
from their acts, practices or transactions, including a requirement to make restitution pursuant to  
A.R.S. § 44-2032;

3. Order RESPONDENTS to pay the state of Arizona administrative penalties of up to  
five thousand dollars (\$5,000) for each violation of the Securities Act, pursuant to A.R.S. § 44-2036;

4. Order the revocation of CONATSER's registration as a securities salesman pursuant  
to A.R.S. § 44-1962; and

5. Order any other relief that the Commission deems appropriate.

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1 IX.

2 HEARING OPPORTUNITY

3 RESPONDENTS may request a hearing pursuant to A.R.S. § 44-1972 and A.A.C. R14-4-  
4 306. A request must be in writing and received by the Commission within 10 business days after  
5 service of this Notice of Opportunity for Hearing. RESPONDENTS or their attorney must deliver  
6 or mail the request to Docket Control, Arizona Corporation Commission, 1200 W. Washington,  
7 Phoenix, Arizona 85007. A Docket Control cover sheet must accompany the request. A cover sheet  
8 form and instructions may be obtained from Docket Control by calling (602) 542-3477 or on the  
9 Commission's Internet web site at [www.cc.state.az.us/utility/forms/index.htm](http://www.cc.state.az.us/utility/forms/index.htm).

10 If a request for a hearing is timely made, the Commission shall schedule the hearing to begin  
11 20 to 60 days from the receipt of the request unless otherwise provided by law, stipulated by the  
12 parties, or ordered by the Commission. If a request for a hearing is not timely made the Commission  
13 may, without a hearing, enter an order against RESPONDENTS granting the relief requested by the  
14 Division in this Notice of Opportunity for Hearing.

15 Persons with a disability may request a reasonable accommodation such as a sign language  
16 interpreter, as well as request this document in an alternative format, by contacting Shelly M.  
17 Hood, ADA Coordinator, voice phone number 602-542-3931, e-mail [shood@cc.state.az.us](mailto:shood@cc.state.az.us).  
18 Requests should be made as early as possible to allow time to arrange the accommodation.

19  
20 Dated this \_\_\_\_\_ day of June, 2002.

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23 \_\_\_\_\_  
24 Mark Sendrow  
25 Director of Securities  
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